



Agenda Date: 8/16/06  
Agenda Item: 2E

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**www.bpu.state.nj.us**

**ENERGY**

IN THE MATTER OF THE PETITION OF NEW  
JERSEY NATURAL GAS COMPANY FOR THE  
ANNUAL REVIEW AND APPROVAL OF ITS BASIC  
GAS SUPPLY SERVICE (BGSS) FOR F/Y 2006

) ORDER ADOPTING  
) INITIAL DECISION AND  
) STIPULATION  
)  
) BPU DOCKET NO. GR05060488  
) OAL DOCKET NO. PUC11951-05

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

This Order concerns the review by the Board of Public Utilities ("Board" or "BPU") of an Initial Decision adopting a Stipulation entered into by New Jersey Natural Gas Company ("NJNG" or "the Company"), the Division of Rate Counsel ("Rate Counsel"), (formerly the Division of the Ratepayer Advocate) and Board Staff (hereinafter, "the Parties"), wherein the Parties agreed that NJNG's BGSS rates, previously approved, on a provisional basis should be made final as discussed herein.

**BACKGROUND**

On June 1, 2005, NJNG filed its annual BGSS petition seeking to increase its BGSS commodity charge for all applicable service classifications by \$0.0540 or approximately 4.2%, from \$0.8921 per therm including Sales and Use Tax ("SUT") to \$0.9461 per therm (including SUT), to become effective October 1, 2005. This represented an increase in BGSS revenues of \$25.1 million. Additionally, the Company sought Board approval of a one-year extension of all BGSS related incentive programs that were approved by the Board in its Order dated November 13, 2003 in Docket No. GR02100760.

By Order dated April 11, 2005, the Board approved the Stipulation in the Company's previous BGSS filing for fiscal year 2005 in Docket No. GR04060432, in which the parties agreed that the impact of a 5% self-implementing increase on December 1, 2004, pursuant to the January 6, 2003 Board Order in Docket No. GX01050304, would also be reviewed in conjunction with this Company filing for the 2005 – 2006 BGSS period.

On July 21, 2005, due to substantial increases and volatility in the price of natural gas in the wholesale market, the Company amended its petition to request that any increase granted by the Board be effective on September 1, 2005.

Edward Beslow, Legal Specialist, presided over an August 3, 2005, public hearing on this petition in Freehold Borough. No members of the public appeared.

On August 19, 2005, the Board approved a stipulation of the Parties which provisionally approved the Company's requested BGSS increase subject to review and refund following a full review.

Shortly after the Board's August 19, 2005 Order implementing a provisional BGSS rate increase for NJNG, Hurricanes Katrina and Rita struck the Gulf Coast, resulting in further increased wholesale natural gas costs. In response, on November 10, 2005, NJNG, as well as the other three New Jersey gas distribution companies, filed Motions for Emergent Rate Relief. NJNG sought to increase its BGSS commodity charge for all applicable service classifications by \$31.36 or approximately 23%, from \$0.9461 per therm (including SUT), approved on August 19, 2005, to \$1.2597 per therm (including SUT). NJNG sought to have this proposed BGSS rate increase replace the self-implementing rate increase of up to 5% that NJNG could, otherwise, self-implement on December 1, 2005. In addition, NJNG also sought Board approval to self-implement, if necessary, an additional BGSS increase of up to 5% on February 1, 2006.

Legal Specialist, Bethany Rocque-Romaine presided over the supplemental public hearing that was held on December 6, 2005, at the Freehold Township Municipal Building to address the proposed increase in NJNG's BGSS rates that resulted from hurricanes Katrina and Rita. Approximately eight members of the public attended the hearing, of which six members of the public spoke in opposition to NJNG's proposed BGSS rate increase.

On December 14, 2005, in Docket No. GR05060488, the Board approved a stipulation dated December 12, 2005, wherein the Parties agreed to a provisional increase in NJNG's BGSS rate as requested by NJNG in its November 1, 2005 Emergent Motion. The Board's December 14, 2005 Order, in Docket No. GR05060488, further provided that there would be no self-implementing increases made by the Company during the 2005 – 2006 winter period. Additionally, the December 14, 2005 Board Order made clear that the Board's approval was provisional and would be subject to review and refund, if appropriate, following a full review by the Parties. The Board also directed Board Staff to initiate a process for retaining an outside consultant to analyze the gas hedging practices of all four New Jersey gas distribution companies and to provide the Board with reports and recommendations regarding the gas distribution companies' hedging practices.

This matter was transmitted to the Office of Administrative Law ("OAL") as a contested case and assigned to the Honorable Diana C. Sukovich, Administrative Law Judge ("ALJ").

On January 26, 2006, the Parties reached a partial stipulation ("Partial Stipulation") concerning the NJNG incentive programs currently in effect. The Partial Stipulation did not in any way address NJNG's provisional BGSS rates approved by the Board on August 19, 2005 and December 14, 2005 and did not alter the provisional status of those rates. Under the terms of the Partial Stipulation, the Parties agreed that the BGSS incentive programs approved by the Board on November 13, 2003 in Docket No. GR02100760 would be extended for one year to October 31, 2007.

It should also be noted that the Company issued a bill credit of approximately \$.19 per therm, effective for the months of February, March and April, 2006 for residential and small commercial customers billed at the BGSS rates.

On February 10, 2006, the ALJ issued an Order Approving the Partial Stipulation.

On April 13, 2006, the Board approved the Partial Stipulation. This Order did not address the BGSS rates approved on a provisional basis by the Board on August 19, 2005 and December 14, 2005.

On June 27, 2006, the Parties entered into this Stipulation wherein they agreed that the issues raised in this proceeding have been examined and are fully resolved and the provisional BGSS rates established on December 1, 2004, August 19, 2005 and December 14, 2005 should be deemed final. The existing BGSS rate of \$1.2597 per therm agreed upon as a final rate in this Stipulation has since been increased to \$1.2716 per therm pursuant to P.L. 2006, c.44, which increased the SUT from 6% to 7% as approved by the Board at its July 19, 2006 agenda meeting. It should also be noted that the Company issued a bill credit of approximately \$.19 per therm, effective for the months of February, March, and April, 2006 for residential and small commercial customers billed at the BGSS rates.

On July 20, 2006, ALJ Sukovich issued an Order Approving the June 27, 2006 Stipulation.

#### DISCUSSION AND FINDINGS

The Board has carefully reviewed the record to date in this proceeding, including the ALJ's Initial Decision and the Stipulation of the Parties dated June 27, 2006. The Board HEREBY FINDS the Initial Decision and Stipulation to be reasonable and in the public interest. Accordingly, the Board HEREBY ADOPTS the ALJ's Initial Decision and the Stipulation of the Parties in their entirety and HEREBY INCORPORATES the terms of the Stipulation as if fully set forth herein.

Any over-recovery at the end of the BGSS period shall be subject to refund with interest.

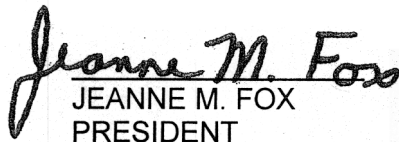
The Company's gas costs and purchasing strategies, consistent with the Board's ongoing BGSS evaluation process, are currently being reviewed.

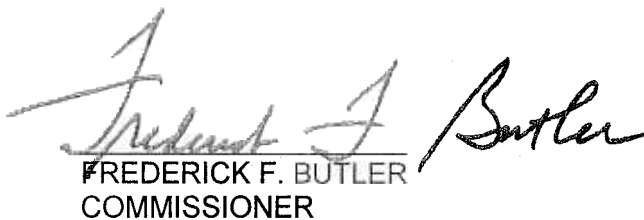
Nothing in this Order shall be interpreted to preclude the Board from taking actions determined to be necessary as a result of any Board analysis of the gas hedging practices of NJNG.

Additionally, the Company's gas costs will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any such actions deemed to be appropriate as a result of any Board Ordered audit.

DATED: 8/18/06

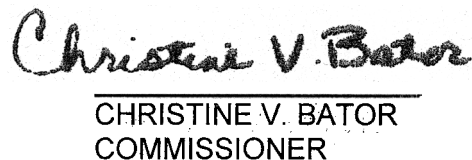
BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
CONNIE O. HUGHES  
COMMISSIONER

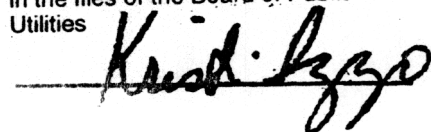
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
Utilities



In the Matter of the Petition of New Jersey Natural Gas  
Company for the Annual Review and Revision of its  
Basic Gas Supply Service for F/Y 2006  
Docket No. GR05060488

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NJ Board of Public Utilities  
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**State of New Jersey**  
OFFICE OF ADMINISTRATIVE LAW

**I/M/O THE PETITION OF NEW JERSEY  
NATURAL GAS COMPANY FOR THE ANNUAL  
REVIEW AND APPROVAL OF ITS BASIC  
GAS SUPPLY SERVICE (BGSS) FOR  
FISCAL YEAR 2006**

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 11951-05

AGENCY DKT. NO. GR 05060488

CMS  
BESLO  
RPA  
DAG  
WALLENSTEIN  
STERN, A  
ZANNACLOWE  
ELECTRIC

**Tracey Thayer, Esq.** for New Jersey Natural Gas Company, petitioner

**Sarah H. Steindel**, Assistant Deputy Ratepayer Advocate, for the Division of the  
Ratepayer Advocate, intervener (Seema Singh, Director, attorney)

**Babette Tenzer**, Deputy Attorney General, for the Staff of the Board of Public  
Utilities (Zulima V. Farber, Attorney General of New Jersey, attorney)

Record Closed: June 30, 2006

Decided: July 20, 2006

**BEFORE: DIANA C. SUKOVICH, ALJ**

On June 1, 2005, petitioner filed a petition with the Board of Public Utilities (BPU), requesting that the BPU accept its annual reconciliation filing for petitioner's BGSS. The BPU transmitted the matter to the Office of Administrative Law on October 27, 2005 for determination as a contested case pursuant to N.J.S.A. 52:14F-1 to -13.

The matter was assigned to this judge, on December 2, 2005, and a telephone conference was conducted on January 20, 2006. An executed Partial Stipulation,

addressing petitioner's incentive programs, was filed during the proceedings. An Order Approving Partial Stipulation was issued on February 10, 2006. The BPU approved the Partial Stipulation, with a modification, by Order of April 13, 2006. The parties subsequently resolved the remaining issues, and an executed Stipulation, reflecting such, was filed on June 30, 2006, on which date the record was closed. Attached herewith is a copy of the Stipulation

I **FIND** that the parties have voluntarily agreed to the Stipulation, as evidenced by their signatures, or the signatures of their representatives, and that the Stipulation fully dispose of all issues in controversy and is consistent with the law.

Therefore, I **CONCLUDE** that the Stipulation meets the requirements of N.J.A.C. 17:27-19.1 and that it should be approved. Accordingly, it is **ORDERED** that the parties comply with the terms of the Stipulation and that the proceedings in this matter be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

DATE July 24, 2016

Diana C. Sukovich  
DIANA C. SUKOVICH, ALJ

Receipt Acknowledged

DATE \_\_\_\_\_

[Signature]  
BOARD OF PUBLIC UTILITIES

Mailed to Parties:

DATE \_\_\_\_\_  
ljb

\_\_\_\_\_  
OFFICE OF ADMINISTRATIVE LAW



**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

<b>IN THE MATTER OF THE PETITION OF</b>	)	
<b>NEW JERSEY NATURAL GAS COMPANY</b>	)	
<b>FOR THE ANNUAL REVIEW AND</b>	)	<b>BPU DOCKET NO. GR05060488</b>
<b>APPROVAL OF ITS BASIC GAS SUPPLY</b>	)	<b>OAL DOCKET NO. PUCRL 11951-</b>
<b>SERVICE (BGSS) FOR F/Y 2006</b>	)	<b>2005N</b>

**STIPULATION**

**APPEARANCES:**

**Tracey Thayer, Esq.**, New Jersey Natural Gas Company for the Petitioner, New Jersey Natural Gas Company

**Sarah H. Steindel, Esq.**, Assistant Deputy Ratepayer Advocate, Division of the Ratepayer Advocate (**Seema M. Singh, Esq.**, Ratepayer Advocate)

**Babette Tenzer, Esq.** Deputy Attorney General, for the Staff of the Board of Public Utilities (**Zulima V. Farber, Esq.**, Attorney General of New Jersey)

**TO: THE HONORABLE DIANA SUKOVICH, ADMINISTRATIVE LAW JUDGE AND  
THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

On June , 2005 New Jersey Natural Gas Company (NJNG) filed a petition requesting that the New Jersey Board of Public Utilities (BPU or Board) accept NJNG' s annual reconciliation filing for its Basic Gas Supply Service (BGSS). In the filing the Company requested BPU approval to increase the BGSS rate applicable to those customers subject to the Periodic BGSS Pricing Mechanism by \$0.0540 per therm after tax, effective October , 2005

increasing the current after tax rate of \$0.8921 per therm to \$0.9461 per therm, based on then current and projected conditions. The Company also sought BPU approval of a one-year extension of all BGSS related incentive programs that were approved by the BPU in Docket No. GR02100760 by order dated November 13, 2003. The Company further stated that the costs and recoveries associated with the proposed revisions to the BGSS price would have no net impact on NJNG's base revenues or return on investment, and would not change NJNG's income or rate of return.

2. On July 21, 2005, NJNG filed an amendment to its initial petition in this case, seeking BPU approval to change the effective date of the requested price increase from October 2005 to September 1, 2005, in light of the significant increases and volatility in the market price for natural gas since the June 1, 2005 filing.

3 A public hearing on this petition was held on August 3, 2005, in Freehold Borough in front of Edward Beslow, BPU Legal Specialist. No members of the public appeared

4. In an order dated August 19, 2005 the BPU provisionally approved the Company's request for an increase of \$.0540 to the after-tax BGSS rate, increasing the rate to \$0.9461, effective on September 1, 2005 and subject to review and refund with interest following a full review by the Staff of the BPU and the Division of the Ratepayer Advocate (RPA) the only other parties in this proceeding (the Parties).

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<sup>1</sup> The June 1 filing also included testimony, schedules and data that are responsive to and consistent with the Minimum Filing Requirements (MFRs) for annual BGSS filings, pursuant to the Board's generic BGSS Order in Docket No. GX01050304.

5 On September 19, 2005, the Company submitted a letter request to Kristi Izzo, Secretary of the BPU, seeking the Board's approval to shorten the 30-day notice period prior to self-implementing a price increase<sup>2</sup> to a 15-day advance notice period, due to continuing rise in the price of natural gas. It was the stated position of NJNG that a shorter notice period would offer customers more accurate price signals about the forward prices from the New York Mercantile Exchange (NYMEX), especially the December and February contract prices which are the months in which the self-implementing increases could be put into effect. In an order dated October 3, 2005 in Docket No. GX01050304, the BPU approved that request for NJNG and the other local distribution companies in this state.

6. On November 10, 2005, NJNG filed a Motion for Emergent Rate Relief (Motion) in this docket seeking BPU approval for a rate increase from the current after-tax rate of \$0.9461 per therm to an after-tax rate of \$1.2597 per therm. This proposed rate change would result in an increase in the heating bill of the average residential customer using 100 therms a month from \$134.93 to \$166.29, an increase of \$31.36 or approximately 23.2 percent a month. NJNG sought to have this proposed rate increase replace the self-implementing rate increase of up to 5 percent that NJNG could, otherwise, self-implement on December , 2005. In addition, NJNG also sought Board approval to self-implement, if necessary, an additional BGSS increase of up to 5% on February 1, 2006 with 15 days' notice to the BPU Staff and the Ratepayer Advocate. The Company requested that the BPU retain and hear the Motion. NJNG asserted that the relief sought

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2. Pursuant to a January 6, 2003 Order of the BPU in Docket No. GX01050304 (January 6 Order), a mechanism was approved allowing local natural gas distribution companies (GDC) to self-implement two price increases, if necessary, of up to 5 percent each to be effective in the months of December and February. Those increases are linked to the annual Basic Gas Supply Service (BGSS) filings that must be made in June by each GDC and subject to the notice and public hearing requirements for each annual filing. Additionally, the order requires that the GDC provide 30 day notice to the BPU and the Division of the Ratepayer Advocate (RPA) that such an increase will be implemented. These self-implementing

in its motion was necessary due to the dramatic increases in wholesale natural gas prices across the country. Since NJNG made its filing on June 1, 2005, wholesale natural gas prices had increased by approximately 56 percent. The NYMEX Strip average closing price on May 2, 2005 used in the June filing was \$7.15 per Dth for the October 2005 through September 2006 period. For this same period, the November 4, 2005 NYMEX Strip average of settlement and futures prices used for the November 10, 2005 Motion was \$11.2 per Dth.

7. A public hearing on the requested rate increase took place on December 6, 2005, at the Freehold Township Municipal Building in front of Bethany Roque-Romaine, BPU Ethics Officer. Approximately eight members of the public attended the hearing and six commented in opposition to the rate increase.

8. On December 4, 2005, the BPU approved a stipulation agreed to by the Parties wherein the Parties agreed to the provisional increase in the rate as requested by NJNG in the Motion. The Parties further agreed that NJNG would not self-implement any further BGSS rate increases during the 2005-06 winter period.

9. This matter was transferred to the Office of Administrative Law and assigned to the Administrative Law Judge (ALJ) Diana C. Sukovich, who conducted a telephonic conference on January 20, 2006. Subsequently, the parties executed a partial stipulation agreeing to extend the current NJNG incentive programs for one year through October 3, 2007. The ALJ issued her Initial Decision and Order on February 10, 2006. The BPU approved the Partial Stipulation by Order dated April 13, 2006 in the instant docket.

10. Because of decreased customer usage related to this winter's warmer than normal weather that presented lower-cost wholesale natural gas purchasing opportunities, the Company

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BGSS price increases are provisional in nature, subject to review, true up and final approval in the subsequent annual BGSS filing.

implemented a \$0.19/therm BGSS billing credit in the months of February, March and April 2006, as provided for in BPU Docket No. GX01050304.

The Parties have discussed the remaining matters at issue in this proceeding and, as a result, the following agreement has been reached.

Specifically, the Parties **STIPULATE AND AGREE** that the issues raised in this proceeding regarding the extension of incentive programs and BGSS costs have been examined and are resolved, and that the provisional BGSS rate of \$1.25970 per therm on an after-tax basis as approved by the BPU on December 14, 2005, shall be deemed to be a final rate. This agreement also makes final the 4.2 percent increase approved for an effective date of September 2005 by the BPU by order dated August 19, 2005 in this Docket, as well as the 5 percent increase that NJNG self-implemented on December 2004, pursuant to the January 6, 2003 Order of the BPU in Docket No. GX01050304. Those earlier price changes are included in the final BGSS rate.

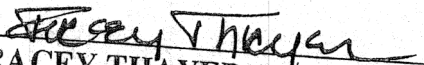
13 The Parties further agree that this Stipulation fully disposes of all issues in controversy in this proceeding. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any provision of this Stipulation is not accepted and approved in its entirety by the Board, any Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event the Board, in any applicable order(s), does not adopt this Stipulation in its entirety then any Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

14 It is the intent of the Parties that the provisions hereof be approved by the Board as being in the public interest. The Parties further agree that they consider the Stipulation to be binding on them for all purposes herein

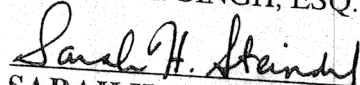
15 It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, neither NJNG, the Board, its Staff, nor the Ratepayer Advocate shall be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein

WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request the Administrative Law Judge to issue an Initial Decision adopting the terms of this Stipulation and the Board to issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

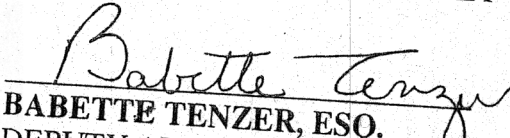
**NEW JERSEY NATURAL GAS  
PETITIONER**

By   
**TRACEY THAYER, ESQ.**  
New Jersey Natural Gas

**DIVISION OF THE RATEPAYER ADVOCATE  
SEEMA M. SINGH, ESQ., RATEPAYER ADVOCATE**

By:   
**SARAH H. STEINDEL, ESQ., ASSISTANT DEPUTY RATEPAYER ADVOCATE**

**STAFF OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES  
ZULIMA V. FARBER, ATTORNEY GENERAL OF NEW JERSEY**

By   
**BABETTE TENZER, ESQ.**  
DEPUTY ATTORNEY GENERAL

Date June 27, 2006



State of New Jersey  
OFFICE OF ADMINISTRATIVE LAW  
33 Washington Street  
Newark, New Jersey 07102  
(973) 648-6008

NORTH

Date: JUL 24 2006

Re: Initial Decisions for Receipt

Receipt of the following decisions from the Office of Administrative Law (as well as a copy of this form) is acknowledged as of the date indicated below:

OAL Docket No. PUC

Case Name

APPROVAL OF ITS BASIC GAS  
SUPPLY SERV. (BESS) FOR  
FISCAL YEAR 2006

Board of Public Utilities

2 Gateway Center

Newark, New Jersey 07102

Date

7/27/06

Board of Public Utilities